

CITY OF RALEIGH
DOWNTOWN LOAN POOL PROGRAM

PROGRAM DESCRIPTION

The **Downtown Loan Pool Program (DLPP)** is designed to create an incentive to new and/or expanding downtown businesses and commercial property owners seeking to improve properties. The program will offer secured direct loans from the City of Raleigh. Applicants must show they are unable to secure financing from financial institutions for the amount being requested from this program.

USE OF FUNDS AND ELIGIBILITY

1. Capital improvements, purchase, or renovate real estate. Purchase or upgrade real estate to operate a business, construct a business facility or make improvements to an owner-occupied property (improvement of owner-occupied commercial property: owner must occupy at least 50 percent of the total space).
2. Purchase fixed assets (equipment, commercial use vehicles or machinery).
3. Borrow working capital (or operating capital). Manage day-to-day cash flow and purchases.
4. Expansion of business services or products.
5. Existing debt may be refinanced in order to improve cash flow but shall not exceed 50% of the total loan amount.
6. Program funds may not be used for alcohol or drug related purposes.

To qualify for a DLPP loan, a business must be:

1. Owner operated
2. For Profit
3. Organized as a sole-proprietorship, corporation or professional partnership
4. Unable to secure conventional credit under reasonable terms
5. Demonstrated management ability/experience
6. Creditworthiness as evidenced by an acceptable business and personal credit history
7. Adequate investment/equity
8. Ability to repay based on projected cash flows and profits
9. Adequate collateral, which consist of:
 - (a) Real estate and improvements up to 90% of the appraised value
 - (b) Machinery and equipment up to 80% of cost (or of appraised value and economic life for used equipment).
 - (c) Accounts receivable and inventory depending on the marketability of inventory and prior collection history of receivables.

(d) Personal guaranties. Parties with a 10% or more ownership are required to guarantee the loan.

10. Business financial statements. Complete financial statements for the past three years and current interim financial statements.
11. Personal financial statements. Statements of owners, partners, officers and stockholders owning 10% or more of the business.
12. Cash flow projections indicating how much cash will be generated to repay the loan.
13. Accounts receivable and payable aging, breaking receivables and payables into 30-, 60-, 90-day old categories.

PROGRAM REQUIREMENTS

This program utilizes funding guaranteed by the City of Raleigh. Loans made from this program must be consistent and in accordance with the following:

- 1) All state and local regulations governing the applicant's line of business
- 2) Policies established by the City of Raleigh dealing with this loan program

AMOUNT

Maximum loan amount: \$50,000 (fifty thousand dollars)

All loans are subject to availability.

LOAN TERMS, RATE, AND REPAYMENT

Maximum term: 10 year amortization with a review at 5 years

Interest rates will be around 3% subject to variables such as the creditworthiness of applicants.

The City of Raleigh will be responsible for doing the underwriting of loans (note criteria above).

Loan payments shall be due on the first day of the month. A late payment will be assessed at 2% of the payment amount after the loan becomes 15 days overdue. Loans may be repaid without penalty. In the event the loan payment becomes 30 days overdue, the City of Raleigh will establish and implement the Procedures for the Collection of Delinquent Loans.

FEES AND EXPENSES

An origination fee will be charged, payable at closing to the City of Raleigh, ranging from ¾% to 1%, but in no case to exceed limits set by North Carolina Statutes. The minimum origination fee will be \$50.00. The applicant will be responsible for all other legal expenses related to closing the loan, including but not limited to recording fees and legal fees. The applicant will also be responsible for all fees related to any appraisals or reports required by the City of Raleigh.

PROCESS AND ADMINISTRATION

Interested applicants should contact the Downtown Raleigh Alliance (919) 832-1231 or paulreimel@downtownraleigh.org to schedule an appointment to discuss the application process and details of the loan program. Completed applications and support documents should be submitted to the Downtown Raleigh Alliance (see below).

The Downtown Raleigh Alliance will review the application submission and make recommendations to the City of Raleigh for loan approval consideration (includes the Department of Administrative Services, City Manager, and City Council). The City of Raleigh is responsible for administering the Downtown Loan Pool Program. Applicants should expect a loan approval or denial response within approximately six weeks of submitting an application to the Downtown Raleigh Alliance.

LOAN ANALYSIS

The Downtown Raleigh Alliance and City of Raleigh shall review and consider a number of items in determining whether a loan should be made. Those items shall include at least the following:

- 1) Application, completed, signed and dated
- 2) Business plan (including history of business, description of project)
- 3) Resumes of principals of company
- 4) Business financial statements (3 years plus interim)
- 5) Tax returns (personal and business for 3 years)
- 6) Pro formas to determine if there will be sufficient cash flow to meet obligations for 2 years.
- 7) Personal financial statement for each owner
- 8) If start-up business, monthly cash flow for one year or to the point of break even
- 9) Information regarding collateral
- 10) Employment summary (# of jobs, job title, projected pay)
- 11) Other available financing, including but not limited to whether other financial institutions have agreed to consider traditional debt financing and under what circumstances (commitment letter).
- 12) Lease, equipment bids on other cost estimates.
- 13) Should the DRA or City of Raleigh determine that they need additional information before granting or denying the application, the applicant will be notified of the information needed.

SUBMISSIONS

Loan applications and supporting documents (see list above) should be submitted to:

Mr. Paul Reimel
Economic Development Manager
Downtown Raleigh Alliance
120 S. Wilmington St., Suite 103
Raleigh, NC 27601

Tel: (919) 832-1231; Fax: (919) 832-0984

Please contact Paul Reimel paulreimel@downtownraleigh.org with any questions about the program or application process.